



EUROPEAN ECONOMY

Supplement — Series A

No 4 — April 1980

Recent economic trends

The European Monetary System's first year of operation. — The European Monetary System, which was formally introduced on 13 March 1979, has functioned satisfactorily in its first twelve months. The table below, which gives the average quarterly and annual movements of the Community currencies, the dollar and the yen against the ECU, reveals that, while the latter two currencies have shown major gyrations since January 1979, the exchange-rate relationships between the Community currencies have remained remarkably stable.

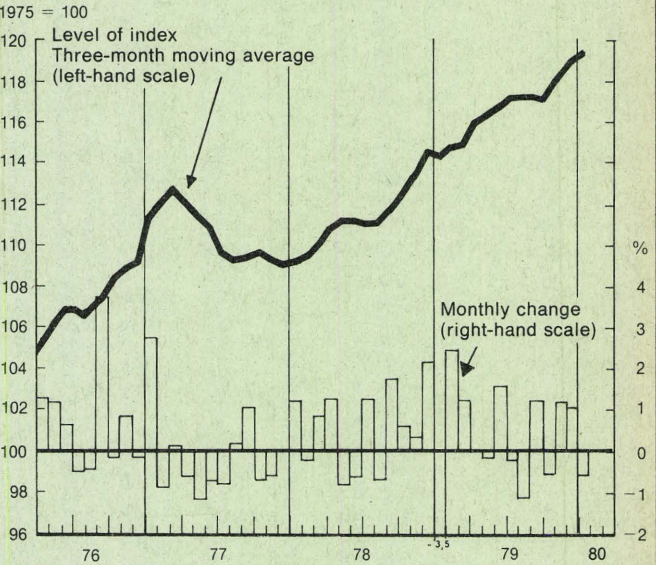
Average quarterly and annual movements against the ECU (%)

	1979				1980	1979/ 1978
	Quarters				1	
	1	2	3	4		
DKR	0,1	2,4	1,7	2,0	5,1	2,7
DM	0,2	0,5	0	1,6	0,8	2,0
FF	0,3	0,9	0,9	1,0	0,5	1,6
IRL	0,7	1,0	0,8	0,1	0,7	0,8
LIT	1,8	0,7	0,6	1,7	0,7	5,4
HLF	0,7	1,4	0,9	0,7	0,4	0
BFR/LFR	0,1	1,8	0,3	0,6	0,8	0,3
UKL	0,7	4,7	2,7	4,7	3,8	2,7
Average (EC)	0,6	1,7	1,0	1,6	1,6	1,9
USD	3,7	1,6	4,3	1,2	0,4	7,6
YEN	6,9	6,3	4,8	10,5	2,4	12,5

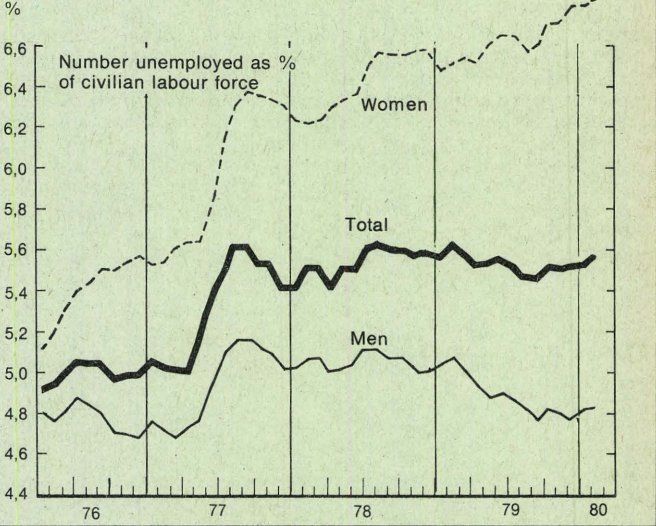
Since the EMS came into force, the fluctuations in the exchange rates of the participating currencies have been the most moderate recorded in the past eight years, even taking into account the realignment on 23 September (2% revaluation of the German mark and 2,86% devaluation of the Danish krone) and 30 November 1979 (4,76% devaluation of the Danish krone). For the Community currencies taken together, the average annual movement against the ECU was 1,9%, compared with 2,7% in 1978. Only in 1972 was there a lower figure (1,2%). Graph 6 depicts the movements in the ECU value of each Community currency (percentage change on the first quarter of 1972) and the changes in effective exchange rates (base period: first quarter of 1972). Overall, effective exchange rates, apart from that of the Danish krone, have tended upwards since the second quarter of 1979.

Industrial production trend uncertain. — Industrial production in the Community, seasonally adjusted, fell by 0,7% in January (after growing by 1,0% in December according to revised figures) (Table 1). It would appear, however, that the underlying trend has remained upwards in recent months. Production in the period November-January was 1,6% higher than in the previous three months. Statistics compiled by Eurostat reveal that this three-month rate of change was attributable primarily to a further strengthening of the trend in the Federal Republic of Germany and to a recovery of output

GRAPH 1: Industrial production (s.a.), EC total



GRAPH 2: Unemployment (s.a.), EC total



in France. In Italy, the very fast rate of growth in the autumn of 1979 (largely reflecting a catching-up process) eased somewhat in the three months ending in January, while in the United Kingdom a distinct downward tendency continues to be masked, in spite of renewed disruptions of activity in January, by the statistical after-effects of earlier strikes.

Unemployment rate edges up. — The seasonally-adjusted unemployment rate in the Community rose slightly in February, to 5,6%. The Federal Republic of Germany is at present the only Member State in which unemployment is still tending downwards. In France and Belgium, where unemployment rates have for long periods been rising almost consistently, this tendency seems to have come to an end in the past few months. In Denmark, on the other hand, the sharp fall in unemployment during most of 1979 has more or less stopped. In Ireland and even more so in the United Kingdom, unemployment is once again on the rise after falling fairly steadily throughout 1979. The same is true in Italy, following the temporary improvement in the third quarter of 1979. In the Netherlands and Luxembourg, unemployment rates have shown only minor fluctuations in recent months.

Sharp deterioration in the trade balance. — In January, the Community's trade deficit reached the record level of 3 300 million ECU. Judging by the limited data so far available, the deficit in February was probably even larger, causing a substantial worsening in the overall performance for the first quarter of the year. This faster deterioration was due to the continued growth in import volumes and to the adverse swing in the terms of trade reflecting the increase in oil prices. Taking the different Member States, the deficits in France and the United Kingdom, after widening substantially in January, grew further in February. The deficit in Italy, which had been mounting sharply since last November, was still substantial in January. The picture was the same in the other deficit countries with the exception of the Netherlands, which experienced a distinct improvement. In the Federal Republic of Germany, the trade surplus in February showed a further, albeit slight fall, following the sizeable increase recorded in January.

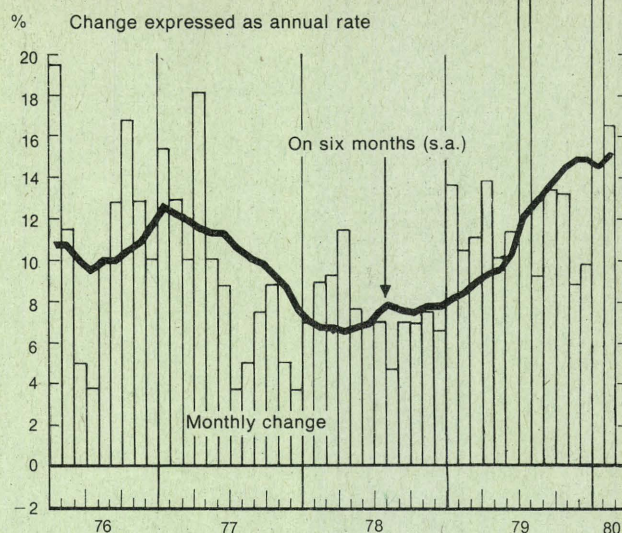
Continued rise in inflation. — Between January and February, the consumer price index for the Community rose by 1,3% (Graph and Table 2), while the differences between Member States' performances narrowed in February, inflation rates ranging from 0,8% in Belgium to 1,7% in Italy. At Community level, the six-month increase, seasonally adjusted and expressed at an annual rate, shows that the underlying acceleration in inflation has still not been checked. In February, inflation was running at an annual rate of 15%, a higher figure than that recorded during the 1974/75 surge in inflation. Looking at the pattern of price movements, it is still the adjustment of energy prices that is having the greatest impact on the overall index. Wholesale prices, the indices for which only partially reflect energy prices, have continued to increase more rapidly than consumer prices in most Member States (Table 4). Lastly, the rise in gross wages and salaries in industry also gathered pace towards the end of the year, although it remained less pronounced and less broadly based than the rise in prices (Table 5).

New interest rates at new record levels. — The rate of monetary growth slackened at the beginning of 1980, at least in those Member States for which information is available—Denmark, the Federal Republic of Germany, France, Ireland and the United Kingdom (Table 7). In France, the growth of the money supply in 1979, at an annual rate of 14,3%, exceeded the target set by the authorities. In Italy, monetary expansion reached 21,6% in November. Following a somewhat calmer trend in January, short-term interest rates began to climb again and the Community average reached 13,8% in March, the highest level ever recorded. The trend of long-term interest rates remains upward. In the United States, interest rates have increased markedly with the tightening of monetary policy (Tables 8 and 9).

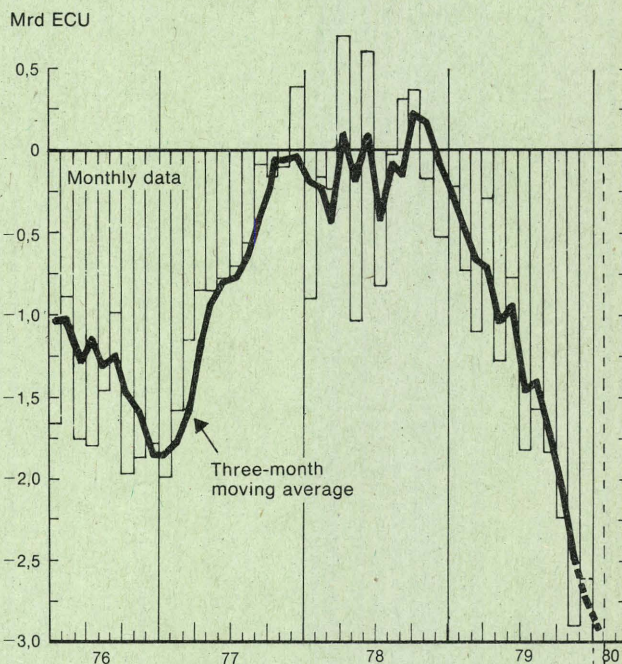
Strengthening of the dollar and the yen against the ECU. — In March, the dollar appreciated against the European currencies, regaining more than 5% against the ECU, it was back to the level of the middle of last year (Graph 5 and Table 10). The yen also consolidated its position, appreciating by 3,5%, and the SDR hardened. Within the European Monetary System, the French franc improved slightly against the ECU, whereas the other currencies depreciated slightly. In the second half of the month the French franc was the strongest currency in the EMS, whereas the German mark weakened noticeably and the Belgian franc, the weakest currency until the end of the month, had to be supported. Sterling again improved (+ 1,6% against the ECU).

8 April 1980.

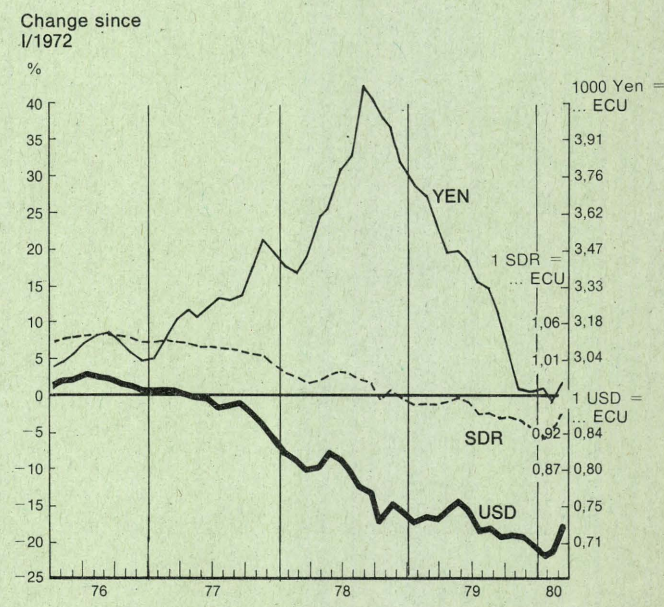
GRAPH 3: Consumer prices, EC total



GRAPH 4: Trade balance (s.a.), EC total



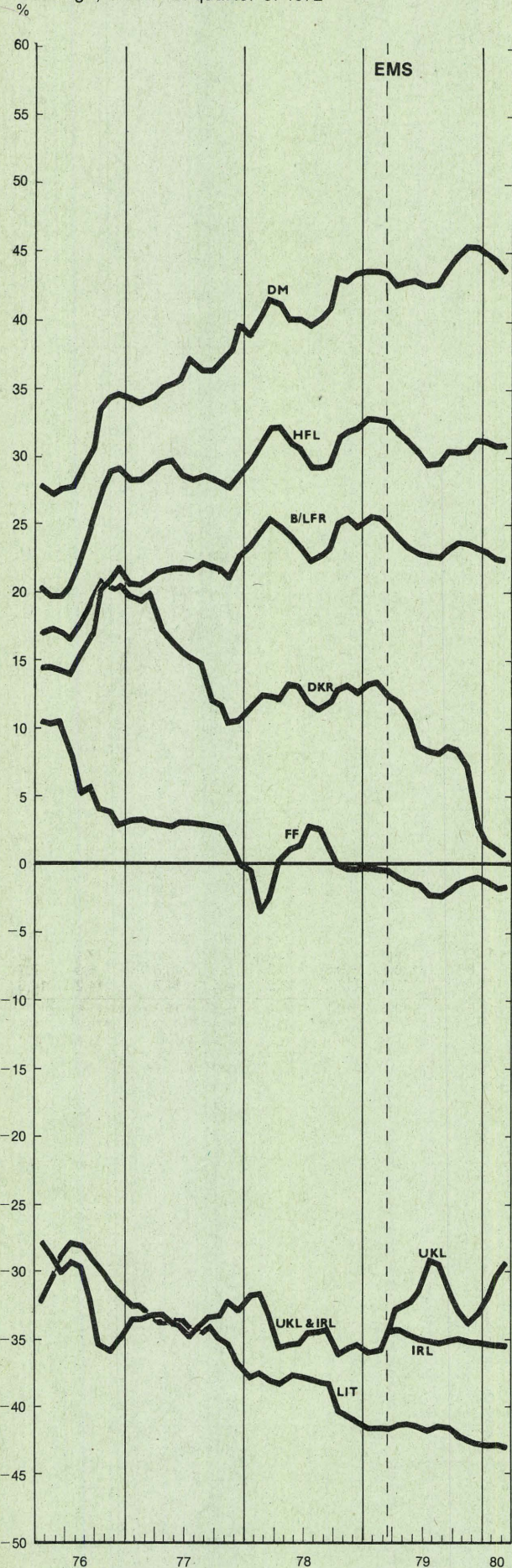
GRAPH 5: Value of USD, yen and SDR in ECUs



GRAPH 6

Value in ECU of Community currencies

% change, base: 1st quarter of 1972



Effective exchange rates of Community currencies

Indices, 1st quarter of 1972 = 100

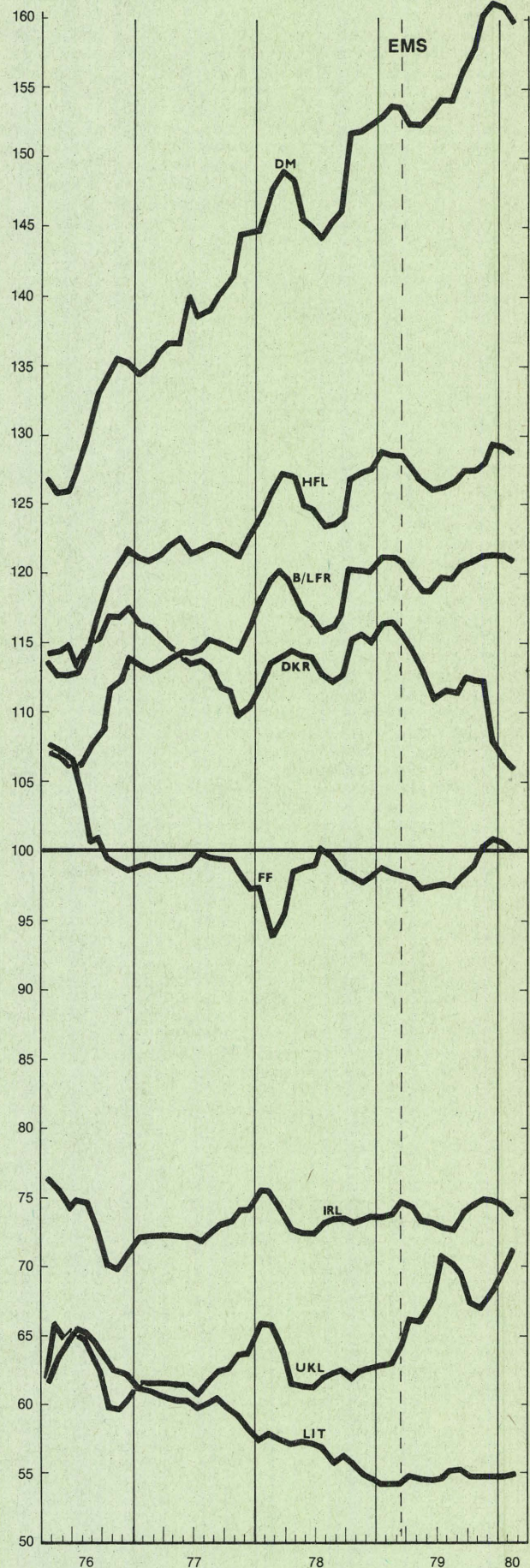


TABLE 6: Trade balance - fob/cif, million ECUs (s.a.)

	TABLE 6: Trade Balance (Million £000) (Cont.)																		Change over 12 months
	1975	1976	1977	1978	1979	1978					1979					1980			
						IV	I	II	III	IV	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.		
DK	-1 359	-2 954	-2 801	-2 292	-2 806	- 601	- 549	- 780	- 781	- 798	- 271	- 192	- 278	- 221	- 298	- 296	:	- 103	
D	12 224	12 243	14 514	15 934	8 933	4 380	3 394	3 001	1 770	993	715	450	354	536	103	429	309	- 841	
F	-1 700	-7 732	-6 117	-4 097	-6 490	- 972	-1 265	-1 423	-1 820	-2 083	- 741	- 599	- 944	- 614	- 525	-1 222	-1 307	- 845	
IRL	- 461	- 772	- 876	-1 128	-1 955	- 308	- 422	- 560	- 532	- 498	- 195	- 203	- 219	- 179	- 101	- 231	- 215	- 116	
I	-2 882	-5 981	-2 444	- 322	-4 151	23	- 244	- 463	- 774	-2 046	17	- 230	- 13	-1 195	- 838	-1 076	:	- 888	
NL	203	317	-1 687	-2 240	-2 619	- 849	- 141	- 512	- 797	-1 110	- 349	- 290	- 265	- 372	- 473	(- 27)	:	(- 35)	
B/L	-1 626	-2 375	-2 526	-2 781	:	- 501	- 320	- 403	- 361	:	- 16	- 74	- 219	- 277	:	:	:	- 155	
UK	-7 617	-8 664	-5 246	-5 548	-8 695	-1 231	-2 490	-1 658	-1 921	-1 966	- 655	- 623	-1 149	- 547	- 270	- 742	-762	532	
EC ⁸	-3 216	-15 919	-7 184	-2 476	(-20 500)	- 302	-2 056	-2 823	-5 214	(-8 250)	-1 569	-1 828	-2 739	-2 891	(-2 600)	(-3 300)	:	(-3 100)	
USA	-3 017	-13 189	-31 907	-31 014	-27 206	-5 883	-6 083	-6 977	-6 844	-7 292	-2 652	-2 633	-2 492	-1 955	-2 845	-2 397	:	792	
JAP	-1 700	2 171	8 488	14 285	-5 574	2 734	789	-477	-2 356	-3 505	- 889	- 883	-1 165	-1 318	-1 022	(- 164)	(-1 334)	(-1 515)	

TABLE 7: Money supply⁹ - Percentage change on corresponding period of preceding year

		Percentage change on corresponding period of preceding year.																	
		1978					1979					1979					1980		
		1975	1976	1977	1978	1979	IV	I	II	III	IV	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
DK	(M2)	25,5	11,4	9,8	6,7	9,9	6,7	10,1	9,3	9,5	9,9	9,5	9,5	11,0	10,8	9,9	9,6	:	
D	(M3)	8,5	8,4	11,1	11,0	6,0	11,0	11,1	10,8	7,8	6,0	8,4	7,8	5,9	5,2	6,0	5,8	:	
F	(M2)	15,7	12,8	13,9	12,2	14,3	12,2	14,0	13,6	13,0	14,3	13,1	13,0	13,6	13,0	14,3	(13,0)	:	
IRL	(M3)	19,1	14,3	16,3	28,7	19,0	28,7	32,2	36,0	26,2	19,0	32,7	26,2	26,4	24,5	19,0	16,7	:	
I	(M2)	23,5	20,8	21,8	22,8	:	22,8	20,4	19,9	19,7	:	20,7	19,7	21,2	21,6	:	:	:	
NL	(M2)	5,7	22,7	3,6	4,2	:	4,2	2,3	4,8	3,8	:	3,7	3,8	4,4	5,3	:	:	:	
B	(M2)	17,2	13,4	9,9	9,7	6,1	9,7	9,1	8,9	6,6	6,1	:	6,6	:	:	6,1	:	:	
UK	(£M3)	7,8	11,3	9,3	13,3	11,7	13,3	11,1	11,1	11,8	11,7	12,3	11,8	13,1	12,9	11,7	11,4	(11,0)	
EC ¹⁰		12,9	12,9	12,3	12,7	(11,1)	12,7	12,4	12,3	11,1	(11,1)	11,7	11,1	11,1	10,8	(11,1)	(10,5)	:	
USA	(M2)	8,5	11,3	9,3	8,2	(7,9)	8,2	7,0	7,6	8,0	(7,9)	8,1	8,0	7,8	7,9	(7,9)	:	:	
JAP	(M2)	14,5	13,5	11,1	13,1	8,4	13,1	12,9	11,3	11,5	8,4	10,9	11,5	10,2	9,8	8,4	:	:	

TABLE 8: Short-term interest rates¹¹

	TABLE 6. Short-term interest rates																			Change over 12 months % 2	
	1975	1976	1977	1978	1979	1979				1980				1979				1980			
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March				
DK	14,5	10,3	14,5	15,4	12,5	10,6	9,8	17,4	16,5	:	17,4	18,5	13,7	16,5	16,3	18,3	:	10,2			
D	5,0	4,2	4,4	3,7	6,7	5,3	6,6	8,0	9,6	(9,8)	8,0	9,5	9,7	9,6	8,9	9,1	(9,8)	(4,5)			
F	8,0	8,8	9,3	8,1	(9,5)	7,0	9,3	11,6	12,6	(14,0)	11,6	12,2	12,4	12,6	12,3	13,8	(14,0)	(7,0)			
IRL	11,0	11,8	8,4	9,9	15,9	14,3	17,6	17,4	18,5	:	17,4	17,1	17,6	18,5	18,9	18,1	:	4,1			
I	10,4	17,6	14,5	11,3	11,5	10,9	11,1	10,9	16,5	:	10,9	10,6	13,4	16,5	15,1	15,8	:	5,2			
NL	5,3	7,1	4,8	6,6	9,5	7,2	8,4	9,8	13,0	(11,4)	9,8	10,6	14,8	13,0	11,3	12,9	(11,4)	(4,2)			
B	7,4	10,0	7,6	7,3	10,1	8,1	9,8	12,5	14,5	(17,5)	12,5	14,1	14,4	14,5	14,5	15,0	(17,5)	(9,5)			
UK	10,6	10,6	8,1	8,3	13,7	12,1	14,1	14,2	17,1	(18,0)	14,2	14,8	16,9	17,1	17,9	18,2	(18,0)	(5,9)			
EC ¹⁰	7,7	7,5	8,0	7,2	9,6	8,0	9,4	10,9	13,1	(13,8)	10,9	11,7	12,7	13,1	12,7	13,3	(13,8)	(5,9)			
USA	5,8	5,0	5,3	7,2	10,1	9,5	8,8	10,1	12,0	:	10,1	12,6	11,8	12,0	(12,2)	(15,4)	:	(6,0)			
JAP	:	:	6,2	5,1	5,9	5,0	5,3	6,5	8,0	:	6,5	7,0	7,8	8,0	8,0	:	:	3,4			

TABLE 9: Long-term interest rates¹²

	1975	1976	1977	1978	1979	1978				1979				1979				1980		Change over 12 months % 2
						IV	1979				August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.			
							I	II	III	IV										
DK	13,1	13,6	16,6	16,7	15,9	17,2	14,5	16,1	16,6	17,1	16,2	16,6	16,3	17,2	17,1	17,4	:	1,6		
D	8,5	7,8	6,2	5,7	7,4	6,3	6,9	7,8	7,5	7,9	7,5	7,5	7,8	8,1	7,9	8,1	8,5	0,7		
F	10,3	10,5	11,0	10,6	10,0	9,9	(9,6)	10,7	11,6	12,6	11,7	11,6	11,6	12,1	12,6	12,5	12,5	2,7		
IRL	14,0	14,7	12,9	12,8	14,9	13,4	13,3	15,4	15,7	16,3	15,9	15,7	16,6	16,4	16,3	16,0	:	1,6		
I	10,4	12,5	15,2	14,2	14,3	14,1	14,2	13,9	14,4	15,3	14,1	14,4	14,6	15,0	15,3	:	:	1,2		
NL	8,8	9,0	8,1	7,7	8,8	8,5	8,5	9,0	8,7	9,4	8,7	8,7	8,8	9,2	9,4	9,4	10,4	2,0		
B	8,5	9,0	8,8	8,5	9,7	8,8	8,9	9,4	9,9	11,1	9,8	9,9	10,6	11,0	11,1	11,4	11,9	3,1		
L	6,7	7,2	7,0	6,6	6,8	6,7	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,8	6,9	7,1	0,4		
UK	14,4	14,4	12,7	12,5	13,0	13,2	12,4	12,7	12,6	14,7	12,3	12,6	13,2	14,5	14,7	14,2	14,6	0,7		
EC ¹⁰	10,3	10,4	10,1	9,7	10,3	9,9	9,8	10,5	10,7	11,6	10,6	10,7	10,9	11,5	11,6	(11,6)	(12,0)	(2,3)		
USA	7,0	6,8	7,1	7,9	8,7	8,4	8,5	8,3	8,7	9,6	8,4	8,7	9,4	9,8	9,6	(10,9)	(12,4)	(4,0)		
JAP	9,2	8,7	7,3	6,1	7,7	6,1	7,0	8,1	7,9	8,6	7,9	7,9	8,4	8,8	8,6	(8,6)	(9,2)	(2,8)		

TABLE 10: Value of ECU — 1 ECU = units of national currency or SDR

	1979																		1980				Change over 12 months % 2
	1975	1976	1977	1978	1979	1979				1980				1979				1980					
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March						
DKR	7,12	6,76	6,86	7,02	7,21	6,98	7,15	7,28	7,42	7,80	7,26	7,28	7,35	7,68	7,77	7,80	7,83	11,6					
DM	3,05	2,82	2,65	2,56	2,51	2,51	2,52	2,52	2,48	2,50	2,51	2,49	2,48	2,48	2,49	2,50	2,51	-0,2					
FF	5,32	5,34	5,61	5,74	5,83	5,78	5,83	5,88	5,82	5,85	5,87	5,84	5,82	5,81	5,83	5,86	5,85	1,0					
IRL	0,560	0,622	0,654	0,664	0,669	-0,672	0,665	0,670	0,670	0,675	0,669	0,668	0,670	0,672	0,673	0,675	0,677	2,0					
LIT	810	930	1 007	1 080	1 138	1 136	1 128	1 135	1 154	1 162	1 134	1 149	1 154	1 160	1 161	1 158	1 166	2,5					
HFL	3,13	2,96	2,80	2,75	2,75	2,71	2,75	2,78	2,76	2,75	2,76	2,76	2,76	2,74	2,75	2,75	2,75	1,4					
BFR/LFR	45,57	43,17	40,88	40,06	40,17	39,65	40,35	40,45	40,22	40,54	40,33	40,15	40,18	40,34	40,43	40,58	40,63	2,1					
UKL	0,560	0,622	0,654	0,664	0,646	0,672	0,640	0,622	0,652	0,626	0,636	0,649	0,656	0,650	0,637	0,625	0,615	-7,3					
USD	1,241	1,118	1,141	1,274	1,371	1,354	1,332	1,389	1,405	1,411	1,398	1,392	1,398	1,429	1,444	1,430	1,358	0,4					
YEN	367,7	331,2	305,8	267,1	300,5	272,8	290,0	303,8	335,8	343,1	310,7	320,4	342,3	343,5	343,0	349,0	337,3	20,9					
SDR	1,022	0,968	0,977	1,018	1,061	1,050	1,045	1,067	1,080	1,082	1,072	1,072	1,080	1,089	1,093	1,089	1,064	1,3					

TABLE 1: Industrial production¹ - Percentage change on preceding period (s.a.)

	1975	1976	1977	1978	1979	1978	1979				1979						1980	Change over 12 months % ²
						IV	I	II	III	IV	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	
DK	- 5,7	9,3	0,8	2,3	3,5	3,2	-3,1	2,7	0,6	5,6	2,1	1,2	-4,8	12,2	-2,9	-3,7	4,8	12,7
D	- 6,2	7,4	2,8	2,0	5,5	0,8	0	2,5	1,6	0	3,2	-3,9	0,8	0,8	0,8	-0,8	0,8	5,1
F	- 8,9	9,7	1,6	1,6	3,9	1,9	-0,3	1,1	4,3	-2,4	4,5	0	-2,2	-1,5	0,8	1,5	-1,5	3,6
IRL	- 6,1	9,0	8,1	9,4	:	3,8	0,8	3,0	0,8	:	2,3	-1,6	4,3	:	:	:	:	8,0
I	- 8,8	11,6	0	2,1	6,6	6,1	1,5	-3,2	1,4	7,8	3,6	-0,1	6,0	3,8	0,6	-1,3	0,8	7,8
NL	(- 4,8)	(5,9)	(0,8)	(1,4)	1,8 ³	(2,9)	(- 1,5)	0,9 ³	0,9	-1,2	1,8	-0,9	1,8	-2,7	3,6	-5,3	5,6	3,6
B	- 9,8	7,7	0,4	2,4	3,9	4,1	-3,4	6,1	-1,9	-0,7	-10,2	4,8	5,7	-7,0	0,2	2,5	:	-1,7
L	-21,9	3,8	0,5	3,2	3,4	-0,2	1,4	1,2	-1,3	2,0	-3,7	1,0	2,5	-4,6	4,0	6,3	-4,6	8,6
UK	- 4,8	2,9	4,6	3,0	3,8	-0,7	1,8	3,8	-2,5	0,1	-0,9	-3,8	-1,3	1,2	2,8	-2,3	0,3	6,3
EC	- 6,6	7,3	2,2	2,4	4,4	2,5	0	1,9	0,6	1,1	-0,2	-0,9	1,2	-0,6	1,2	1,0	(-0,7)	(5,9)
USA	- 8,2	10,2	6,5	5,7	4,4	1,9	1,0	-0,2	0,2	0	0,1	-0,9	0,5	-0,1	-0,1	0,1	0,3	0,8
JAP	-11,0	11,1	4,1	6,2	8,5	2,2	1,8	2,3	2,3	2,6	1,1	0,9	-1,5	2,6	1,2	-0,3	(1,2)	(9,5)

TABLE 2: Unemployment rate - Number of unemployed as percentage of civilian labour force (s.a.)

	1975	1976	1977	1978	1979	1978	1979					1979					1980		Change over
						IV	I	II	III	IV	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	12 months % ²	
DK	4,6	4,7	5,8	6,6	5,3	6,6	6,1	5,4	5,2	4,8	5,2 ³	5,0	4,9	4,7	4,8	4,8	4,8	- 15,4	
D	4,2	4,1	4,0	3,9	3,4	3,7	3,6	3,4	3,3	3,2	3,3	3,3	3,2	3,2	3,1	3,1	3,1	- 12,5	
F	3,9	4,3	4,9	5,3	6,0	5,7	5,8	6,0	6,1	6,3	6,1	6,2	6,2	6,3	6,3	6,3	6,3	7,9	
IRL	8,5	9,6	9,4	8,8	7,9	8,4	8,1	7,9	7,8	7,5	7,8	7,7	7,6	7,5	7,5	7,6	7,6	- 5,9	
I	5,3	5,6	6,5	7,1	7,5	7,4	7,5	7,6	7,4	7,5	7,5	7,3	7,5	7,4	7,5	7,5	7,6	0,8	
NL	4,0	4,3	4,1	4,1	4,1	4,1	4,1	4,2	4,2	4,1	4,2	4,2	4,1	4,1	4,1	4,2	4,2	0,6	
B	5,3	6,8	7,8	8,4	8,8	8,5	8,6	8,6	8,9	8,9	8,9	8,9	8,9	8,9	8,9	8,8	8,8	2,2	
L	0,2	0,3	0,5	0,8	0,7	0,7	0,7	0,7	0,7	0,7	0,6	0,7	0,7	0,7	0,7	0,7	0,7	- 4,0	
UK	3,8	5,3	5,7	5,7	5,3	5,5	5,5	5,3	5,1	5,3	5,1	5,1	5,2	5,3	5,3	5,4	5,6	2,5	
EC	4,3	4,9	5,3	5,5	5,5	5,6	5,6	5,5	5,5	5,5	5,5	5,4	5,5	5,5	5,5	5,5	5,6	- 0,1	
USA	8,5	7,7	7,0	6,0	5,8	5,8	5,7	5,7	5,8	5,9	6,0	5,8	5,9	5,8	5,9	6,2	(6,0)	(5,7)	
JAP ⁴	1,9	2,0	2,0	2,2	2,1	2,3	2,0	2,1	2,1	2,1	2,2	2,0	2,1	2,1	2,0	(1,9)	:	(- 10,3)	

TABLE 3: Consumer price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1978	1979					1979					1980		Change over
						IV	I	II	III	IV	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	12 months % 2	
DK	9,6	9,0	11,1	10,1	9,6	2,9	0,9	2,5	5,1	2,6	1,7	1,1	0,5	1,0	0,2	0,8	(1,0)	(13,2)	
D	5,9	4,6	3,7	2,7	4,1	0,3	1,8	1,4	1,3	0,8	0,1	0,1	0,3	0,4	0,4	0,5	1,1	5,6	
F	11,7	9,6	9,5	9,3	10,7	2,1	2,2	2,8	3,2	2,8	1,0	0,8	1,2	0,7	0,8	1,9	1,1	13,4	
IRL	20,9	17,9	13,7	7,7	13,2	1,5	4,1	3,2	4,1	3,7	1,3	1,2	1,2	1,2	1,3	1,3	1,2	15,5	
I	17,0	16,7	18,5	12,1	14,7	3,0	3,9	3,7	3,5	5,6	1,2	2,6	1,9	1,4	1,8	3,2	(1,7)	(20,9)	
NL	9,9	8,9	6,8	4,2	4,5	1,1	0,3	2,0	0,8	2,0	0,5	1,1	0,8	0,2	0,3	(0,5)	(1,0)	(7,0)	
B	12,8	9,2	7,1	4,5	4,4	1,0	1,2	0,7	1,7	1,4	0,5	0,2	0,7	0,4	0,4	1,4	0,8	6,4	
L	10,8	9,8	6,7	3,1	4,6	0,9	1,3	1,1	1,4	1,7	0,3	0,6	0,6	0,7	0,4	0,5	0,8	6,0	
UK	24,2	16,5	15,9	8,2	13,4	1,7	3,1	3,7	6,7	2,8	0,8	1,0	1,0	0,9	0,7	2,5	1,4	19,1	
EC	13,3	10,9	10,8	7,5	9,9	1,7	2,5	2,8	3,6	2,8	0,7	1,1	1,0	0,8	0,8	2,0	(1,3)	(13,9)	
USA	9,1	5,8	6,5	7,6	11,4	2,0	2,6	3,5	3,4	2,8	1,0	1,0	0,8	0,9	1,2	1,4	(1,1)	(14,0)	
JAP	10,2	9,3	8,0	3,8	3,6	0,2	-0,3	2,5	1,0	1,7	-1,0	1,3	1,2	-0,4	0,6	:(0,9)	:	(6,6)	

TABLE 4: Wholesale price index - Percentage change on preceding period

	1975	1976	1977	1978	1979	1978					1979					1979					1980		Change over
						IV	I	II	III	IV	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	12 months					
																			% ²				
DK	5,7	8,2	7,9	4,4	9,0	0,6	2,3	3,8	3,4	3,8	0,8	1,6	1,2	1,2	1,2	2,7	1,9	18,1					
D	1,2	5,8	1,8	-0,8	6,9	0	3,1	3,6	1,7	1,1	0	0,5	0	0,4	1,2	1,9	(2,4)	(12,2)					
F ⁵	1,0	10,1	6,5	4,6	11,8	3,4	3,3	3,8	2,5	3,3	2,0	0,8	1,4	0,7	0,4	:	:	13,1					
IRL	24,2	19,6	17,2	8,9	(12,5)	1,5	5,6	3,2	1,5	:	0,3	0,3	0,1	:	:	:	:	11,9					
I	8,5	22,9	17,4	8,4	15,4	2,3	4,4	4,6	4,3	5,6	2,2	1,9	2,1	1,2	1,9	3,3	:	22,9					
NL ⁵	6,8	6,9	5,4	2,0	(2,9)	0,1	0,8	0,8	2,0	:	1,3	0,5	0,2	0,1	:	:	:	5,0					
B	1,2	7,1	2,4	-1,9	6,3	1,2	2,4	2,0	1,2	1,5	-0,6	0,6	0,7	0,7	0,1	2,0	1,3	8,6					
UK	24,1	16,4	19,2	10,5	12,1	1,7	2,7	4,0	5,0	2,9	0,9	1,1	1,2	0,6	0,8	2,5	1,4	18,2					
EC ⁶	7,4	12,0	9,3	4,4	10,3	1,5	3,1	3,7	3,0	(2,7)	1,0	1,0	1,0	0,6	(1,0)	(2,1)	:	(14,6)					
USA	9,2	4,6	6,1	7,8	12,5	2,3	3,6	3,6	3,1	3,4	0,5	1,5	1,5	0,7	1,0	2,1	(1,5)	(15,4)					
JAP	3,0	5,5	1,9	-2,5	7,3	-0,6	1,9	4,1	4,9	4,3	1,6	1,4	1,1	1,5	1,8	(2,1)	(2,6)	(21,4)					

TABLE 5: Gross hourly wages in industry⁷ — Percentage change

	On preceding period										On corresponding quarter of preceding year										
	1975	1976	1977	1978	1979	1978					1978					1979					1980
						IV	I	II	III	IV	I	IV	I	II	III	IV					
DK	16,7	11,5	9,0	10,9	13,0	2,3	2,9	3,6	:	:	:	11,0	11,2	11,0	:	:	:	:	:		
D	7,6	6,3	7,1	5,2	6,0	0,3	1,6	1,7	2,0	0	:	5,1	6,6	6,0	5,7	5,3	:	:	:		
F	16,7	15,4	14,4	12,1	13,4	2,4	2,4	2,8	3,3	3,4	:	11,6	11,1	11,3	11,4	12,5	:	:	:		
IRL	27,7	17,1	16,6	13,6	13,2	3,1	2,3	:	:	:	:	14,0	13,7	:	:	:	:	:	:		
I	24,8	20,9	26,4	16,9	19,0	4,2	3,6	4,2	5,9	6,0	:	16,7	16,2	17,1	19,2	21,2	:	:	:		
NL	13,0	10,5	8,2	7,7	6,6	1,3	2,0	1,7	1,8	0,8	:	6,7	6,6	6,8	7,0	6,4	:	:	:		
B	17,4	12,2	10,2	7,6	8,4	1,9	2,6	1,9	1,3	2,0	1,6	8,1	9,4	9,5	7,9	8,0	6,9	:	:		
L	12,0	14,0	10,1	9,1	9,4	-1,5	2,7	3,8	:	:	:	7,0	4,6	3,9	:	:	:	:	:		
UK	27,4	15,9	9,2	12,8	14,9	2,3	1,8	5,1	6,5	2,5	:	13,9	11,6	12,6	16,6	16,8	:	:	:		
EC	17,5	13,3	12,1	10,9	12,5	2,1	2,2	3,2	(4,0)	(2,5)	:	11,1	10,7	10,6	(11,9)	(12,3)	:	:	:		
USA	9,1	7,9	9,2	8,6	8,7	3,1	2,0	1,4	1,9	2,4	:	9,8	9,0	8,9	8,6	7,8	:	:	:		
JAP	11,5	12,3	8,5	5,9	7,4	2,2	2,0	1,9	2,9	0,4	:	5,6	5,7	7,1	8,4	7,4	:	:	:		

Major economic policy measures — March 1980

Community (EC)

17.3 The Council (Economic and Financial Affairs) carried out its first quarterly examination of the economic situation in the Community. It shared the Commission's view that there was no need at this stage to amend the economic policy guidelines for 1980 adopted by the Council on 17 December last.

Denmark (DK)

None.

Federal Republic of Germany (D)

13.3 The Bundesbank's Central Council decided to ease restrictions on capital imports into the Federal Republic. In particular, foreigners will be allowed to hold German fixed-interest securities with a maturity as short as two years as opposed to four years hitherto.

France (F)

1.3 The national unemployment benefit scheme was extended to the overseas departments.

12.3 The French banks increased their base rates from 12,50% to 13,25%.

17.3 The SNCF increased passenger fares on major routes by 9,4%.

27.3 Savings bank deposit rates were increased from 6,50% to 7,50%.

29.3 The permitted rates of increase of bank lending were reduced for the second half of 1980. In the case of the major banks, for example, the annual rate of increase was reduced from 4% to 3,5%. Furthermore, as from 1 April, some 65% (50% hitherto) of the annual increase in loans hitherto granted without restriction will again be included in the general ceiling.

Ireland (IRL)

14.3 The Central Bank announced its credit policy for the year to February 1981. The growth in private sector credit is restricted to 13%. Within this 13%, special provision is made for lending for productive purposes, which can grow by 14% with no limit on external financing. The rise in personal credit is limited to 6%.

Italy (I)

Mid-March. The Italian authorities adopted a more restrictive monetary policy stance. Firstly, to reduce liquidity in the economy, the Minister for the Treasury authorized the issue, in March, of ordinary Treasury bills for an amount exceeding by LIT 2 000 000 million the amount of the corresponding securities reaching maturity at that time. Secondly, the Banca d'Italia decided to penalize commercial banks which exceeded the lending ceilings fixed last October by requiring them to deposit with it, in a non-interest-bearing account and for a period of two months, the equivalent of between 10% and 50% of their excess lending (according to the extent to which and the date on which these ceilings were exceeded).

Netherlands (NL)

6.3 Parliament adopted a law authorizing the Government to intervene in the wage fixing process. Measures taken under this law must apply without discrimination to all wage and salary earners. Three conditions must be fulfilled:

- the economic situation must be such as to justify the measures;
 - statutory wage fixing must be part of a more comprehensive incomes policy;
 - the measures may be taken only as a last resort.
- The relevant measures come into force not earlier than ten days after being communicated to Parliament.

10.3 The wage freeze was extended by one month until 10 April 1980.

12.3 Parliament approved a general increase of 6% in housing rents as from 1 July 1980, the same rate of increase allowed in 1979.

22.3 Parliament adopted a measure under the recent law on wage fixing designed to restrict the annual increase in *per capita* wages in the non-government sector to 6%, a reduction of 1,5 percentage points compared with the target fixed in September 1979. The measure will expire on 31 December 1980.

At the same time, income tax is to be reduced, as from 1 July, by HFL 100 per annum (equal to approximately 0,5% of the minimum gross wage income) in order to maintain the purchasing power of the lowest incomes. A second tax reduction costing a total of HFL 100 million is planned.

Belgium (B)

20.3 The Banque Nationale increased the discount rate applicable to sub-ceiling 12% to 14%. The rate applicable to sub-ceiling B and to advances against securities was raised from 13,5% to 15%. The rate for advances against securities granted outside the quotas had previously been increased from 14,50% to 18%.

21.3 The Government decided in principle not to grant the BFR 34 000 million supplementary appropriations requested by the various Ministers for 1980. The BFR 17 000 million of unavoidable additional expenditure is to be offset by a uniform 2,2% reduction in the expenditure planned for each Ministry. Staff levels were frozen at the level of 15 March.

21.3 The Government confirmed a decision of the Ministerial Committee on Economic and Social Coordination (CMCES) under which the growth in real wage costs—including that resulting from reduction in working hours—was limited to 2% for the public sector, the semi-public bodies and industries in which the Government holds a stake.

Luxembourg (L)

None.

United Kingdom (UK)

26.3 The Government announced its budget measures for 1980/81 as well as public expenditure plans and an overall financial strategy for the financial years 1980/81 to 1983/84.

The main tax proposals for 1980/81 include:

- the increase of personal tax allowances by 18% in line with inflation;
- the abolition of the lower rate of tax of 25% on the first UKL 750 of taxable income;
- the increase of all other tax thresholds by 11%;
- increases in indirect taxes on oil, tobacco, and alcoholic drink and in vehicle excise duty.

In addition the Chancellor announced a package of aid measures for small businesses and the setting up of 'enterprise zones' in areas of economic decay. The net effect will be to increase taxation by about UKL 250 million in 1980/81. On the expenditure side important measures were:

- old age pensions and supplementary benefits to be increased by 16½% in November (fully in line with the expected increase in inflation);
- unemployment and related benefits to be increased by 5 percentage points lower than the estimated rise in prices;
- some downward adjustments to the previously published expenditure plans for 1980/81.

The net effect of the measures will be to reduce expenditure in 1980/81 by almost UKL 600 million. The Public Sector Borrowing Requirement is expected to fall from UKL 9 000 million in 1979/80 to UKL 8 500 million in the coming financial year, representing a fall from 4¾% to 3¾% if expressed as a percentage of GDP. The medium-term government expenditure plans point to a progressive reduction of expenditure in volume terms, amounting to 4% over the four years to 1983-84. The medium-term financial strategy sets down the Government's targets for the budgetary aggregate (implying a fall in the PSBR as a % of GDP from 4¾% in 1979/80 to 3¾% in 1980/81, to 3% in 1981/82, to 2½% in 1982/83 and to 1½% in 1983/84), and a target range for the growth of sterling M_2 of 7-11% in 1980/81, to 6-10% in 1981/82; 5-9% in 1982/83 and 4-8% in 1983/84.

PRICES

	BFR	DKR	DM	FF	LIT	HFL	UKL	IRL	USD
'European Economy' (3 issues per year)	1 000	180	62,50	145,50	28 000	68,50	15,25	16,60	34,25
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All three supplements	800	144	50,00	116,50	22 400	54,75	12,15	13,30	27,35
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